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SECRET

DPD-3564-59

25X1
27 May 1959

Dear Jack,

Attached are two (2) copies of the Auditor's Report of Property Procedures at Fairchild.

I would appreciate your bringing this to Fairchild's attention and advising us of the remedial action and when they plan to initiate it.

Sincerely,

SIGNED

Dan

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DPD-DB [redacted] arp
Distr.

1 [redacted] w/cy #2&3 of DPD-3402-59

✓ 1-RT-100, sub folder Lac Fairchild w/cy 1 DPD-3402

1-Audit Liaison

1-Chreno

SECRET



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

DPD-3402-59 /
Copy 1 of 3

#461

REPLY TO:

Eastern District
Auditor General
Comptroller, USAF
Liaison Office
P. O. Box 8155
S. W. Station
Washington, D. C.

19 May 1959

SUBJECT: Report on Interim Examination of Property Procedures
Fairchild Camera and Instrument Corporation
Syosset, New York

TO : Contracting Officer

1. General - Concurrent with our interim audit of Cost incurred under CORONA subcontracts with this contractor, we performed a limited review of procedures surrounding accountability for Government property. Receipts of purchased major components acquired thru 31 March 1959 on Project purchase orders were traced to Stock record cards maintained in the Government property cribs.

2. Results of examination - As a result of our audit, weaknesses were disclosed in the contractor's procedures for controlling material thru stock record cards. Instances were found, involving material required for immediate use with inspection being performed by the requisitioner, where receipts were not recorded. It was indicated that the blue (traveler) copy of the Receiving Report did not reach the Government property cribs and therefore was not recorded on the property control records. In such instances, the contractor's property procedures require the requisitioner to forward the traveler copy to the property clerk after performing the necessary inspection. These procedures, however, are not being adhered to. The matter of noncompliance with these procedures was also discussed with [redacted] Property Administrator, on a previous interim property check.

The subcontractor has agreed to make the necessary corrections on all of the discrepancies noted. However, in order to alleviate this condition and minimize the possibility of such recurrences, the auditor has tentatively suggested to the subcontractor that an additional copy of the Receiving Report be routed from the Receiving Department directly to the property crib at the time the material is received. This additional copy would be maintained in an open file and would be matched with the Traveler copy at the time it was received, thus affording a follow-up

control on all Traveler copies of Receiving Reports which do not reach the property clerk.

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3. Discussion with Contractor Officials - We discussed this suggestion with [] Purchasing Manager, and [] Project Contract Administrator on 7 May 1959 because [] Property Administrator was incapacitated at the time of our visit, and was unavailable for comment. These individuals indicated that they will study the matter further and attempt to improve the property procedures in the near future.

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4. Recommendation to the Contracting Officer: It is recommended that the Contracting Officer forward a copy of this report to the subcontractor with a request for a written indication of the approximate date when the necessary improvements will be effected.

[]
Liaison Officer
Eastern District
Auditor General